KENYATTA UNIVERSITY
UNIVERSITY EXAMINATIONS 2011/2012
SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF LAWS

<u>LCC 308: LAW OF BUSINESS ASSOCIATION 11</u>

DATE: **Friday 13th April 2012** **TIME:** **12.00p.m – 2.00p.m**

<u>INSTRUCTIONS</u>

1) Answer question ONE and any other TWO questions
2) You will be penalised for failing to answer question one
3) Support your answer with relevant case law, statutes and any other relevant references
4) Write neatly and legibly
5) Your answer sheet must bear your student registration number

QUESTION ONE

Mr. T and his wife are the directors and shareholders of TW Limited. The couple leave in Old Muthaiga in a house registered in the name of TW Limited and valued at Ksh.50m. Mrs. T is the sole signatory to the company accounts, and as a result, she has withdrawn several millions of shillings from the company accounts, apparently which she applied to sustain the high-end lifestyle of their only son, who is now addicted to drugs in Canada.

The Company has been experiencing financial turmoil since the shilling started declining. The company owes X Ltd a loan of Ksh. 200m. At personal level, Mr. and Mrs. T are wealthy, and recently they were featured on Citizen TV on Who Owns Kenya, and their net worth is estimated at Ksh.2bn. Most of their wealth is stashed in their personal bank accounts spread across the country and abroad. X Ltd has applied to court to recover the loan from the couple in their personal capacities. Kindly give a well reasoned legal opinion to Mr. and Mrs. T to enable them prepare for a defense. **(30 Marks)**

QUESTION TWO

a) Discuss at least two ways through which a company limited by shares could raise capital **(10 Marks)**

b) The Memorandum and Articles of Association are regarded as the 'Constitution' of a Company. Briefly explain the purpose of the memorandum and articles of association and give details of key clauses contained in the memorandum of association of a company limited by shares **(10 Marks)**

QUESTION THREE

Describe five circumstances under which a company limited by shares may be wound up **(20 Marks)**

QUESTION FOUR

a) Outline the steps and key documents involved in the incorporation of a company limited by shares **(10 Marks)**

b) Outline the advantages and disadvantages of incorporation of a company limited by shares **(10 Marks)**

QUESTION FIVE

Write detailed notes on any two of the following

(a) Difference between public and private companies **(10 Marks)**

(b) Appointment and removal of directors **(10 Marks)**

(c) Ultra-vires **(10 Marks)**